NYE-DT 55

FIRST LOOK

Stephens

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Current

Rating	Overweight
Target Price	$46.00

Price:	$37.09
Fully Diluted Shares Out (mil.):	379.54
52-Week High:	$50.03
52-Week Low:	$24.56
Market Cap (mil.):	$14,077.1
Fiscal Year End:	Dec
Average Daily Volume:	3,888,759
Float (mil.):	99.7
Debt/Cap:	53.5
Cash/Shr:	$1.90
Dividend/Yield:	$2.79/2.8%
Book Value/Shr:	$19.03

EPS	2018A	2019E	2020E
Mar	$0.38A	$0.12	$0.50
Jun	$0.51A	$0.16	$0.58
Sep	$0.21A	$0.21	$0.68
Dec	($1.00)A	$0.36	$0.67
FY	$0.09A	$0.86	$2.43
P/E	NM	43.1x	15.3x

Oper. CFPS	2018A	2019E	2020E
Mar	$2.08A	$1.95	$2.68
Jun	$2.42A	$2.02	$2.80
Sep	$2.60A	$2.16	$2.95
Dec	$2.13A	$2.41	$2.96
FY	$9.23A	$8.54	$11.38
P/CFPS	4.0x	4.3x	3.3x

EBITDAX	2018A	2019E	2020E
FY	4.84BA	4.19B	5.61B
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Apache Corporation is an oil and gas exploration production company with operations in the United States, Canada, Egypt, and the United Kingdom.

Apache Corporation

APA – NYSE

Overweight

First Look: APA Announces Temporary Deferral of Alpine High Gas Volumes

INVESTMENT CONCLUSION:

APA announced that due to extremely low prices at Waha Hub, it has initiated natural gas volume deferrals at Alpine High. Deferrals commenced in late March and currently represent ~250 MMcfpd of gross gas production. We are modeling 1Q19/2Q19 Alpine Volumes of ~70 Mboepd/~78.6 Mboepd. For illustrative purposes, if we assume ~250 Mmcfpd of gross gas production is offline in April and a part of May, we estimate 2Q19 Alpine volumes could be in the 55-65 Mboepd range. Assuming the midpoint, we estimate our 2Q19 discretionary cash flow forecast could improve by 2%+. While optically we view the release as a negative, we do not think it is a surprise to the market that depressed Waha pricing is hampering Alpine cash generative capabilities. Ultimately, we believe the potential increase in cash flow offsets the volume loss in the near term, though incremental details are needed to fully quantify the impact.

KEY POINTS:

Incremental Details:

- The company plans to further address the deferrals on its 1Q19 earnings release. Planned rig count and well completions at Alpine are unchanged. Apache also reiterated its YE19 Alpine High exit rate guidance of 100+ Mboepd.
- We anticipate post commencement of cryo (installation of first two processing units are on-budget and ahead of schedule, first unit expected to enter service in early May) and the GCX pipeline, that APA should see a solid appreciation in price realizations at Alpine.
- We estimate the company has 220+ MMbtupd of Waha Basis hedges (Henry Hub less ~$0.52) in place during 1H19 to help mitigate the negative pricing environment.

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APPENDIX A

ANALYST CERTIFICATION

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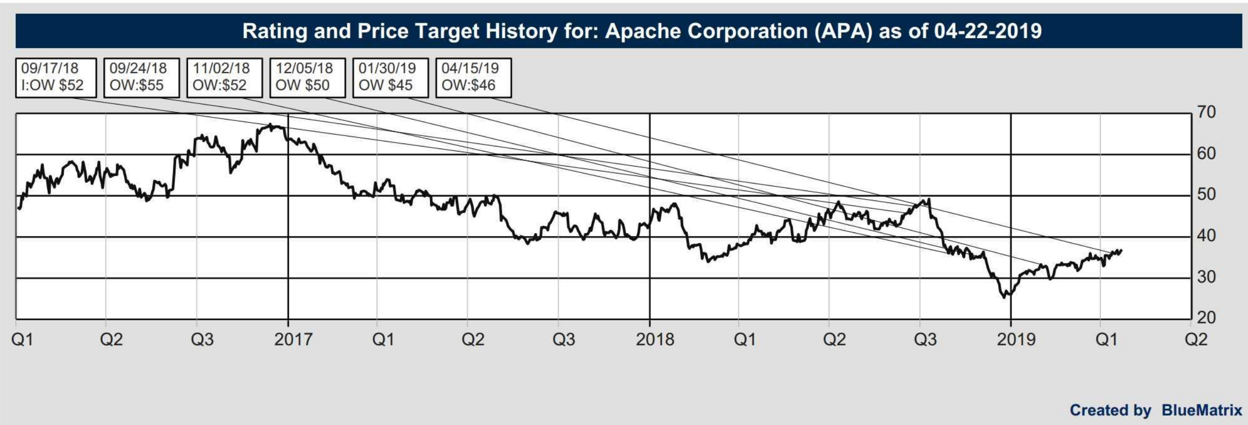
REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Apache Corporation as of the date of this report and may act as principal in these transactions.



Valuation Methodology for Apache Corporation

Our target price is based on a five-year DCF outlook that applies a company specific terminal multiple based on the 5-year historical average for the index adjusted for relative performance and company specific factors. We also consider comparable company analysis on an EV/EBITDA.

Risks to Achievement of Target Price for Apache Corporation

- Global crude oil prices are affected by overall supply and demand, political developments worldwide, pricing decisions and production quotas of OPEC and the volatile trading patterns in the commodity futures markets. U.S. natural gas prices are affected by overall supply and demand, seasonal weather patterns and the volatile trading patterns in the commodity futures markets. In periods of sharply lower oil and natural gas prices, a company may curtail capital spending projects. Furthermore, changes in oil and natural gas prices can impact a company's determination of proven reserves and a company's calculation of the standardized measure of discounted future net cash flows relating to oil and natural gas reserves.

- E&P companies compete with many other participants in the industry for the resources necessary to explore for and develop oil and gas reserves. These resources include everything from attractive leaseholds to drilling rigs to the human capital necessary to operate machinery at the drill site. These competitive pressures can force oilfield service prices upward, and thereby increase the cost of securing them. Consequently, given a high level of industry activity, a company could experience margin contraction.

- The stated quantity and value of a company's oil and natural gas reserves is based on numerous estimates, which are subject to uncertainty. Reserve estimates are projections based on engineering data, the projection of future rates of production and the timing of future expenditures. There can be no assurance that the prices used to compile the estimate of a company's reserves will be realized or that the estimated production volumes will be produced during the periods indicated. Actual future production, natural gas and oil prices, revenues, taxes, development expenditures, operating expenses and the quantities of recoverable natural gas and oil reserves will likely vary from original estimates.

- In addition to the substantial risk that wells drilled will not be productive, hazards such as unusual or unexpected geologic formations, pressures, mechanical failures, uncontrollable flows of oil and/or natural gas, pollution and other physical and environmental risks are inherent in oil and natural gas exploration and production. These hazards could result in substantial losses to a company due to injury and/or loss of life, severe damage or destruction of property and equipment and environmental damage. Companies typically carry insurance that they believe is in accordance with customary industry practices. However, as is common in the oil and natural

gas industry, a company does not fully insure against all risks associated with its business, either because such insurance is not available, or because it is considered cost prohibitive.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [OW]	268	55.14	54	20.15
HOLD [EW]	214	44.03	27	12.62
SELL [UW]	4	0.82	1	25.00

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